TRENDS Warns of Negative Consequences On Chinese Economy and World Order Resulting from the Continuous Danger of Coronavirus

TRENDS Research & Advisory Center (Abu Dhabi) warned of the obvious negative consequences created by the new Coronavirus. In case, this danger continued for some more time, it would badly affect Chinese economy, the second largest economy in the world, including the growth and development rates in China. That will also disturb the international status of China, and the balance of power between China and other international big powers, particularly the USA, which is waging a trade war against China. Moreover, there would be significant changes taking place in the nature of the entire world order, if China was actually put under health quarantine (isolation) by all countries of the world, or if it was obliged - alone and unaided - to deal with its internal affairs, to treat the consequences and harms of the virus; and that might oblige China to withdraw from the global political arena.

Mahmoud Mohamed Sharif, Head of Economic Studies department at TRENDS, said in a recent research paper that the new Coronavirus had killed (up to 10th February 2020) more than 1000 persons, and infected more than 40,000 others. The effects of this dangerous virus, along with the slowdown of global economy, may create an additional pressure, and contribute to the decrease of GDP this year. Meanwhile, prominent economic studies centers predicted a decrease in world economic growth this year from 2.5 percent to 2.3 percent, which means a regression equal to 0.2 percent. Other sources predicted the decrease in world economic growth to be ranging from 0.1 percent to 0.2 percent.

Sharif added that some vital sectors had been harmed because of the proliferation of this virus at the international stage. Among the affected sectors are Chinese exports, and the movement of Chinese foreign trade. This is a vital issue for the Chinese economy, whose essential strength depends on the movement of international trade, along with world tourism sector. Chinese travelers are considered among the highest spenders in international tourism, as they operated 150 million flights to foreign countries, valued about 277 billion US dollars, in 2018. The global tourism sector will be badly affected as well, in addition to the movement of international tourism towards inside China. In this
context, Sharif revealed that a number of estimations predicted that the effects of the virus will lead to more regression in the growth of Chinese economy. Several international institutions predicted the regression in Chinese economy to be 5.4 percent, during 2020, and it might reach to 5.5 percent.

The researcher Mr. Sharif explained that among the reasons, which enhance the prediction of regression in Chinese economic growth, are: the isolation of China from the world because of the proliferation of Coronavirus; and the decrease of industrial production, as Wuhan city is the capital of Central China’s Hubei province. Wuhan is “the birthplace of Coronavirus”, but it is considered a very significant industrial hub in China. Wuhan’s share amounts to 33 percent of the total Chinese industrial products; it hosts:

- 90 percent of copper smelting operations;
- 65 percent of petroleum refining;
- 60 percent of iron/steel production;
- 40 percent of coal production in China.

Although the overall Chinese economic growth regressed in 2019, the growth rate of Wuhan reached to 7.8 percent, in the same year. Accordingly, imposing isolation and health quarantine on that province (Hubei), will create negative effects on the overall economic growth rate in China.